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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 IGA-02 L-03 H-03 AGR-20 SWF-02 PA-04 PRS-01

USIA-15 HEW-08 SCI-06 TAR-02 ABF-01 DRC-01 /202 W

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R 042104Z APR 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 0594

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2255

E.O. 11652: GDS

TAGS: ECON, PINT, EC

SUBJECT: POLITICAL CRITICISM OF GOE ECONOMIC MEASURES

REF: QUITO 2052

1. SUMMARY: NEGATIVE RESPONSE FROM URBAN ORIENTED
POLITICAL PARTIES AND TRADE UNIONS HAS BEEN ESPECIALLY
STRONG TO NEW ECONOMIC MEASURES AIMED AT STIMULATING
AGRICULTURAL PRODUCTION BUT GRANTING ONLY TOKEN WAGE INCREASE.
MEASURES HAVE BECOME FOCAL POINT OF ATTACKS ON RODRIGUEZ REGIME.
GOE HAS REPLIED IN ITS USUAL FIRM MANNER BY JAILING CHRISTIAN DEMOCRAT

LEADER (PDC) FOR HIS CRITICISMS OF NEW MEASURES, A
STEP LIKELY TO MODERATE FUTURE ATTACKS. MEANWHILE,
ARCHITECT OF NEW MEASURES, FINANCE MINISTER MONCAYO,
HAS BEEN ABSENT AT BID MEETING IN SANTIAGO AND, THEREFORE,
COMPREHENSIVE SUBSTANTIVE GOE REBUTTAL TO CRITICISM HAS
YET TO BE HEARD. END SUMMARY.

2. URBAN PUBLIC'S RESPONSE TO NEW GOE ECONOMIC MEASURES
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ANNOUNCED MARCH 25 (REFTEL) HAS BEEN GUARDED OR OUT-

SPOKENLY NEGATIVE. FIRST SIGNIFICANT REACTION CAME FROM ECUADOR'S NORMALLY QUIESCENT AND INEFFECTUAL CIVILIAN POLITICAL PARTIES WHO CLEARLY SAW ADVERSITY TO MEASURES AS AN OPPORTUNITY TO CRYSTALIZE OPPOSITION TO RODRIGUEZ REGIME. IN PRESS CONFERENCE MARCH 27 CHRISTIAN DEMOCRAT LEADER OSWALDO HURTADO CRITICIZED MEASURES AS TOO LITTLE TOO LATE, A THEME ECHOED PUBLICLY BY CONSERVATIVE PARTY NATIONAL DIRECTOR JULIO CESAR TRUJILLO ON MARCH 29. HURTADO STRESSED THAT MEASURES WERE INADEQUATE TO COMPENSATE WORKERS FOR RISE IN COST OF LIVING AND ASSERTED THAT IF STEPS TO PROMOTE AGRICULTURAL DEVELOPMENT, CONSTRUCT STORAGE FACILITIES AND IMPROVE MARKETING HAD BEEN TAKEN TWO YEARS AGO, THE DIFFICULT PROBLEM THE COUNTRY NOW FACES WOULD NOT EXIST. HURTADO CALLED THE MEASURES A "JOKE" ON THE WORKERS AND ACCUSED THE GOVERNMENT OF NEGLIGENCE, FOR WHICH REMARKS HE WAS PROMPTLY WHISKED OFF TO JAIL. (THIS IS THE SECOND GOE ARREST OF A POLITICAL PARTY LEADER IN LESS THAN TWO MONTHS. SOCIALIST PARTY CHIEF GONZALO OLEAS WAS PICKED UP IN EARLY FEBRUARY FOR HIS CALL FOR A RETURN TO CIVILIAN PROCESS. SEE QUITO 992.) TRUJILLO USED OCCASION HIS CRITICISM OF MEASURES TO PROTEST JAILING OF HURTADO BY "REPRESSIVE REGIME".

3. JOINING THE CHORUS OF CRITICISM HAVE BEEN ALL THREE OF ECUADOR'S MAJOR TRADE UNIONS WITH THE PRINCIPAL COMPLAINT BEING THAT THE 250 SUCRE MONTHLY WAGE RAISE IS SIMPLY NOT ENOUGH TO OFFSET THE HARDSHIPS OF PAST INFLATION, NOT TO MENTION THE PRICE RISE IN STAPLE FOOD STUFFS AUTHORIZED BY THE NEW MEASURES. IN SUPPORT OF THEIR GRIEVANCES, THE THREE MAJOR TRADE UNION ORGANIZATIONS SCHEDULED A MAJOR DEMONSTRATION IN GUAYAQUIL THE AFTERNOON OF APRIL 4. JOINING THE LABOR FEDERATIONS AND CONFEDERATIONS IN PLEAS FOR BETTER EARNINGS AND CONDITIONS OF WORK HAVE BEEN ELEMENTS OF THE POWERFUL TRANSPORT WORKERS ORGANIZATIONS WHO ALSO THREATENED A STRIKE IF A 50 PERCENT INCREASE IN FARES IS NOT AUTHORIZED.

4. COMMUNIST PARTY (PCE) CRITICISM OF MEASURES HAS BEEN EXTREMELY MUTED CALLING FOR "STRICT IMPLEMENTATION" CONFIDENTIAL

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OF 250 SUCRE RAISE AND REDOUBLED EFFORTS TO OBTAIN FURTHER GENERAL WAGE AND SALARY INCREASES. PARTY AUTHORITIES WERE APPARENTLY SEVERELY DIVIDED AS TO WHETHER TO BREAK WITH GOE OVER MEASURES, AND LOW-KEY CRITIQUE OF GOE ON THIS SCORE CAN BE INTERPRETED AS VICTORY FOR ADVOCATES OF CONTINUED PCE SUPPORT OF GOE.

5. ONLY FIRM SUPPORT FOR GOE ECONOMIC MEASURES HAS COME

FROM AGRICULTURAL SECTOR WHICH DIRECTLY BENEFITS FROM PRICE INCREASES TO PRODUCERS. SHOP KEEPERS, WHO HAVE BEEN WARNED TO TRIM THEIR ACCUSTOMED MARKUPS AND NOT TO PASS ON INCREASED COSTS TO CONSUMERS, ARE GRUMBLING AS ARE PUBLIC SERVANTS AND OTHER CATEGORIES OF WORKERS IN HIGHER (ABOVE 2500 SUCRES A MONTH) INCOME BRACKETS WHO RECEIVE LESS THAN 10 PERCENT WAGE INCREASE OR NONE AT ALL.

6. AS ALREADY NOTED, GOE RESPONSE TO WHAT IT CONSIDERS POLITICALLY MOTIVATED ATTACKS HAS BEEN FIRM. JAILING OF HURTADO IS ONE EXAMPLE. AS IF TO DRIVE HOME THE POINT THAT IT IS IN NO MOOD TO BROOK CRITICISM, MINISTER OF GOVERNMENT POVEDA ANNOUNCED MARCH 29 THAT JAILED SOCIALIST OLEAS HAD BEEN MOVED TO A CONFINEMENT LOCATION IN THE ORIENTE "WHERE HE WILL HAVE AN OPPORTUNITY TO SEE FOR HIMSELF A SOLDIER'S LIFE OF SACRIFICE AND PRIVATION".

7. GOE HAS ALSO ENGAGED IN MORE CONVENTIONAL TACTICS IN DEFENSE OF ITS ECONOMIC POLICIES. IT HAS, FOR EXAMPLE, TAKEN OUT NEWSPAPER ADS FAVORABLY COMPARING WAGE INCREASES IN 1973 AND 1974 WITH THOSE DECREED BY ITS PREDECESSORS. IT HAS ALSO AGREED TO MEET WITH LABOR LEADERS AND CHAUFFEURS IN AN EFFORT TO CONCILIATE DIFFERENCES. MEETINGS TOOK PLACE APRIL 3 BETWEEN GOVERNMENT AND TRANSPORT WORKERS AND PRESS HAS ANNOUNCED THAT TRANSPORT COMMISSION WILL MEET MONDAY TO APPROVE MINIMUM TAXI FARE OF 10 SUCRES FOR ALL LOCALITIES IN COUNTRY. (GUAYAQUIL AND MACHALA, WHERE THERE HAVE BEEN WILDCAT STRIKES BY TAXI DRIVERS AND COOPERATIVE BUS OPERATORS HAVE LOWER RATES.) MINISTER OF LABOR MET APRIL 3 AND 4 WITH LABOR LEADERS FROM COAST AND REPS FROM 3 NATIONAL CENTERS. THESE LEADERS HAD PLANNED MASS DEMONSTRATIONS IN

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GUAYAQUIL FOR AFTERNOON OF APRIL 4 TO DEMONSTRATE DISCONTENT WITH PRICE INCREASES AND FAILURE TO RAISE MINIMUM WAGE AND GRANT SIGNIFICANT (50 PERCENT) ACROSS-THE-BOARD WAGE INCREASE, BUT THIS MORNING ANNOUNCED DEMONSTRATION COULD NOT BE MOUNTED ON SUCH SHORT NOTICE. (WE SUSPECT CTE - COMMUNISTS - DID NOT COME ACROSS WITH NECESSARY FUNDS.) GOVERNMENT HAS ALSO ANNOUNCED THAT COMPENSATORY 250 SUCRE INCREASE WILL NOT BE SUBJECT TO TAXES, SOCIAL SECURITY DEDUCTIONS, ETC., BUT WILL BE PAID IN ENTIRETY TO WORKERS. IT HAS ALSO ANNOUNCED DETERMINATION ENFORCE NEWLY ESTABLISHED PRICE LEVELS AND HAS ARRESTED SOME VIOLATORS WITH THE USUAL FANFARE. COMPREHENSIVE GOVERNMENT REBUTTAL TO PUBLIC DISCONTENT HAS NOT BEEN FORTHCOMING IN ABSENCE OF FINMIN MONCAYO WHO PRESENTLY IN SANTIAGO AT BID MEETING.

8. COMMENT: GOVERNMENT IS FULLY AWARE THAT THE HIGH COST OF LIVING IS ITS PRINCIPAL POLITICAL PROBLEM. IT IS NOT PREPARED, HOWEVER, TO SEE DISCREDITED POLITICAL ELEMENTS CAPITALIZE ON PUBLIC DISCONTENT WITH ECONOMIC SITUATION TO HURT REGIME. CREATION OF NATIONAL SALARY COUNCIL, WILLINGNESS TO DEAL WITH TRANSPORT WORKERS AND CONTINUING CONSULTATIONS OF NEW LABOR MINISTER WITH TRADE UNION LEADERS ARE ACKNOWLEDGEMENT OF NEED TO CONFRONT PROBLEM OF DISCONTENT. ALTHOUGH GOVERNMENT DOES NOT DARE TO GRANT SWEEPING WAGE INCREASES FOR FEAR OF PUSHING INFLATION ABOVE 20 PERCENT ANNUAL RATE, IT WILL MOVE TO PLACATE DEMANDS OF WORKERS WHERE PRESSURE IS GREATEST. SUCH CONCESSIONS, HOWEVER, WILL PROBABLY BE SLOW AND DELIBERATE, EXECUTED VIA THE NEW NATIONAL SALARY COUNCIL.
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